



Look Here for Stable, Recurring Income and Growth Prospects

Description

Utilities make for some of the most intriguing investment options for investors that are looking for a recurring source of income while registering some growth. One of the most often-mentioned utilities among investors is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), which offers a number of compelling reasons for investors to consider.

Why invest in a utility?

That recurring source of income stems from a stable business model that is backed up by regulated contracts that can span for decades. Those regulated contracts, which are referred to as power-purchase agreements (PPAs), stipulate how much of the utility is to be provided, and how much Fortis is to be reimbursed for providing that utility.

Here's the interesting part that everyone knows, yet we often discount it when considering a utility — we need the service the utility provides to us. Whereas a customer can choose to forego visiting a retailer or shop around for a better deal, many of those options do not apply to your electric bill. That's an incredible moat that is not disappearing anytime soon.

In short, utilities offer a [stable, secure, and recurring source of revenue](#) that can be incredibly appealing to investors looking for a buy-and-forget addition to their portfolios.

Fortis is well diversified with dividend growth that spans decades

One of the most often-cited concerns by potential investors is that utilities such as Fortis lack any real growth prospects, as the nature of their stable business model and regulated rates allows little room for investment into growth. Fortis counters that claim through an impressive record of multi-billion-dollar acquisitions that have made the company one of the largest utilities on the continent, with an impressive portfolio of assets across Canada, the U.S., and the Caribbean.

That well-diversified portfolio has allowed Fortis to amass an impressive run of over four decades of consecutive annual increases to its dividend. The current quarterly payout amounts to an impressive 4.17% yield.

If that weren't reason enough to consider Fortis, then the company's five-year plan to provide annual dividend hikes of 6% or more should be sufficient to push its consecutive increases to five decades.

In terms of results, Fortis announced results for the most recent quarter earlier this month, with adjusted net earnings hitting \$276 million, or \$0.65 per share, beating the \$254 million, or \$0.61 per share, reported in the same quarter last year.

Final thoughts

To say that the market has been relatively stable over the past month would be a gross understatement. A variety of factors, ranging from rising interest rates, cross-border trade updates, a changing political landscape, and growing concerns over prolonging the current bull market, are creating a volatile mix that has some investors running for stable defensive stocks that will [emerge from any market slowdown](#) unscathed.

Fortis is one such stock that, in my opinion, should be a core holding of any portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/07/21

Date Created

2018/11/08

Author

dafxentiou

default watermark

default watermark